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Tucson Electric Power Company

88 E. Broadway Blvd., P.O. Box 711
Tucson, Arizona 85702

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AZ CORPORATION COMMISSION
DOCKET CONTROL

July 3, 2012 JUL 3 PM 4:03

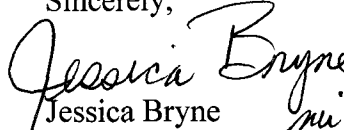
Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: Tucson Electric Power Company - REST Plan Executive Summary and PowerPoint
Presentation
Docket No. E-01933A-12-0296

Pursuant to Decision No. 72033 (December 10, 2010), Tucson Electric Power Company ("TEP") is required to file a REST Plan summary and a PowerPoint presentation of the REST Implementation Plan filing. Enclosed is the TEP REST Plan Executive summary and PowerPoint presentation of the Implementation Plan that was filed on July 2nd in the above docket. TEP is also filing an electronic copy of the PowerPoint presentation directly with Arizona Corporation Commission Staff.

If you have questions or comments please contact me at (520) 884-3680.

Sincerely,


Jessica Bryne
Regulatory Services


Enclosures: Executive Summary and PowerPoint Presentation

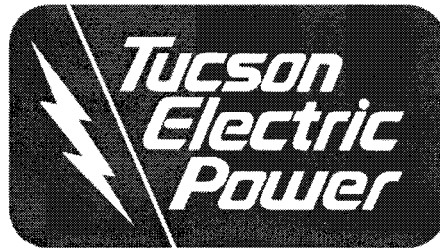
cc: Steve Olea, Director, ACC
Compliance, ACC

Arizona Corporation Commission

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Tucson Electric Power Company
**2013 Renewable Energy Standard and
Tariff Implementation Plan**

July 2, 2012

Executive Summary

Tucson Electric Power Company (“TEP” or “Company”) hereby submits its 2013 Renewable Energy Standard and Tariff Implementation Plan (“Plan”) Executive Summary as required by the Arizona Corporation Commission (“Commission”).¹

The 2013 TEP REST Implementation Plan addresses:

1. Utility Scale Renewable Generation: TEP expects to have approximately 100 megawatts (“MW”) of utility-scale solar generation on-line by the end of 2012, with an additional 20-30 MW of capacity coming on-line in 2013.
2. Bright Tucson Solar Buildout Plan: TEP will continue its development of utility-owned solar generation through the Bright Tucson Solar Buildout Plan; which includes the completion of the Sundt Solar Steam Augmentation project.
3. Distributed Generation Incentive Programs: TEP is requesting authorization to continue the \$3 million legacy cost budget line item, while also allowing customers to draw from that allocation through lower incentive levels. TEP is also proposing to levelize the residential distributed generation values over the next 6 years to provide the market with more stability and certainty.
4. Research and Development: TEP’s proposal includes a research and development plan similar to those in approved by the Commission in previous plans. The research and development plan provides for specific allocations to the Arizona Research Institute for Solar Energy (AzRISE), TEP test site and energy storage, and transmission and distribution intermittency and penetration studies.

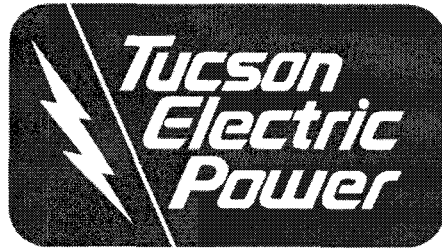
¹ Decision No. 72033 (December 10, 2010) at pg. 20, ln.14-18.

5. Additional Requested Information: TEP is requesting clarification and/or guidance on a number of issues, including: the requirement to impose a REST surcharge on customers who take utility incentives; the requirement to report total cost of the system for leased systems on Arizona Goes Solar; and how TEP will meet the State's distributed generation requirements in a post-incentive environment.

TEP's Plan consists of an overall budget of \$45.5 million; however, due to a \$4.4 million carryover of funds from 2011, the tariff is based on a collection of \$41.1 million. The requested tariff charge is \$0.008/kWh, with customer caps by class. The caps were developed using the proportional cap allocation method; under this methodology, the caps for all customer classes are increased proportionately.

For the Plan, TEP conducted a comprehensive customer survey and hosted a series of stakeholder workshops to assist in developing its Plan that balances the interests of TEP's customers and stakeholder community, with the needs of the Company. Exhibit 2 of the Plan contains an Executive Summary of the customer survey.

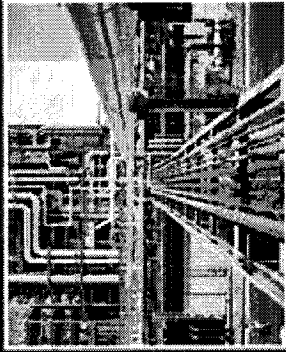
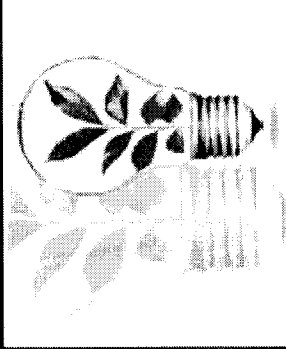
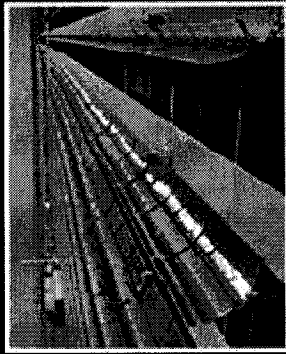
TEP's Plan provides a realistic and cost-effective strategy for complying with the REST requirements. Therefore, TEP requests the Commission approve the Plan to be effective on January 1, 2013.



Tucson Electric Power Company
**2013 Renewable Energy Standard and
Tariff Implementation Plan**

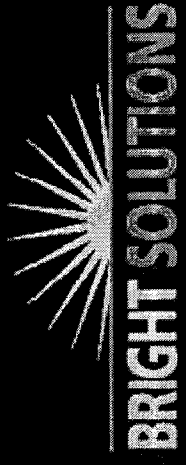
July 2, 2012

PowerPoint Presentation



2013 REST Implementation Plan

Tucson Electric Power Company

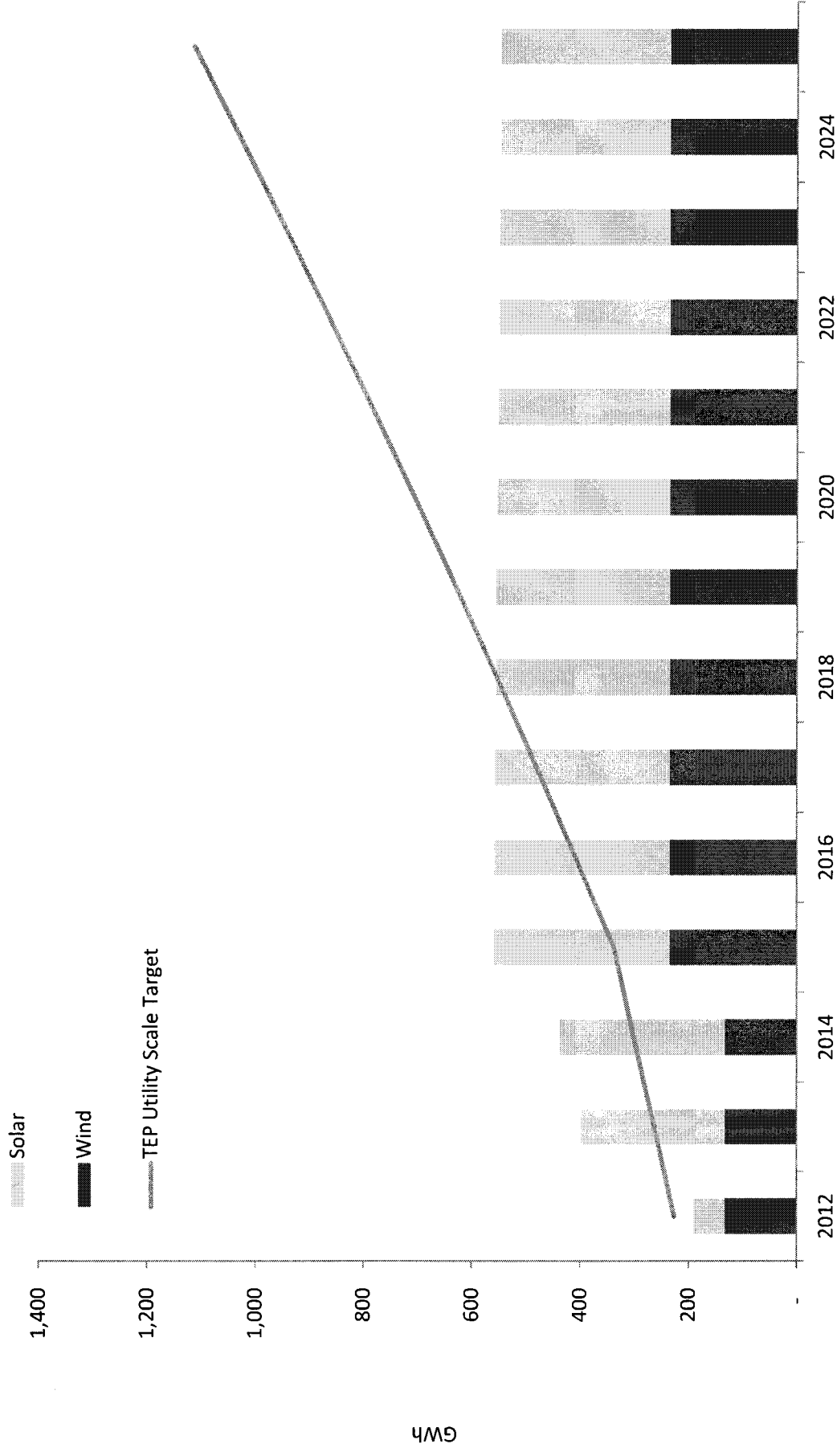


July 2nd, 2012

Utility Scale Generation

Project	Capacity - MW (DC)	Annual kWh - Existing Renewable Generation	Technology	Expected In-Service Date	100% Owned
Sundt - Los Reales	4	19,375	Biogas	Operational	Yes
SGS	6.4	11,800	Fixed PV	Operational	Yes
UASTP I - Solon	1.6	3,500	SAT PV	Operational	Yes
UASTP II - Amonix	2	3,500	CPV	Operational	No
UASTP III - Solon	5	8,750	Fixed PV	Operational	Yes
UASTP IV - AstroSol	6.1	11,500	Fixed PV	AUG 1 2012	No
SunPower	0.5	875	Fixed PV	Operational	Yes
Macho Springs	50.4	133,300	Wind	Operational	No
Total Existing	76	192,600			
Project					
Capacity - MW (DC)					
Annual kWh - Existing Renewable Generation					
Technology					
Expected In-Service Date					
100% Owned					
Prairie Fire	5	8,750	Fixed PV	Nov-12	Yes
SunPower & Areva	10	21,900	PV/Thermal	Apr-13	Yes
TBD	6.4	14,016	TBD	2014	Yes
TBD	6.4	14,016	TBD	2015	Yes
Total Future - BTSBP	27.8	58,682			
Future Renewable Generation					
Amonix Solar	12	21,020	CPV	Dec-12	No
NRG Solar	32	56,000	Fixed PV	Oct-12	No
SunEdison	25	43,800	SAT PV	Dec-12	No
EMCORE Solar	2	3,500	CPV	Dec-12	No
Foresight Solar	6	7,010	SAT PV	Dec-12	No
Foresight Solar	14	21,020	SAT PV	Dec-12	No
Avalon Solar	35	61,320	Fixed PV	Jun-13	No
Expected Procurement	25	TBD	TBD	2014	No
Expected Procurement	40	TBD	TBD	2015	No
Total Future - Pending (Contracts)	126	213,670			
Total Planned Generation (Contracts)	229.8	464,952			
Total Planned Generation thru 2013	217	436,920			

TEP Utility Scale



Build-out Plan

- Balance the utility scale portfolio – currently 13% owned
- Continue to invest approximately \$28 M per year
- Financial project certainty
- Competitive Procurement
- Recovery of Revenue Requirement through REST
 - Same as current TEP, APS and UNSE Programs

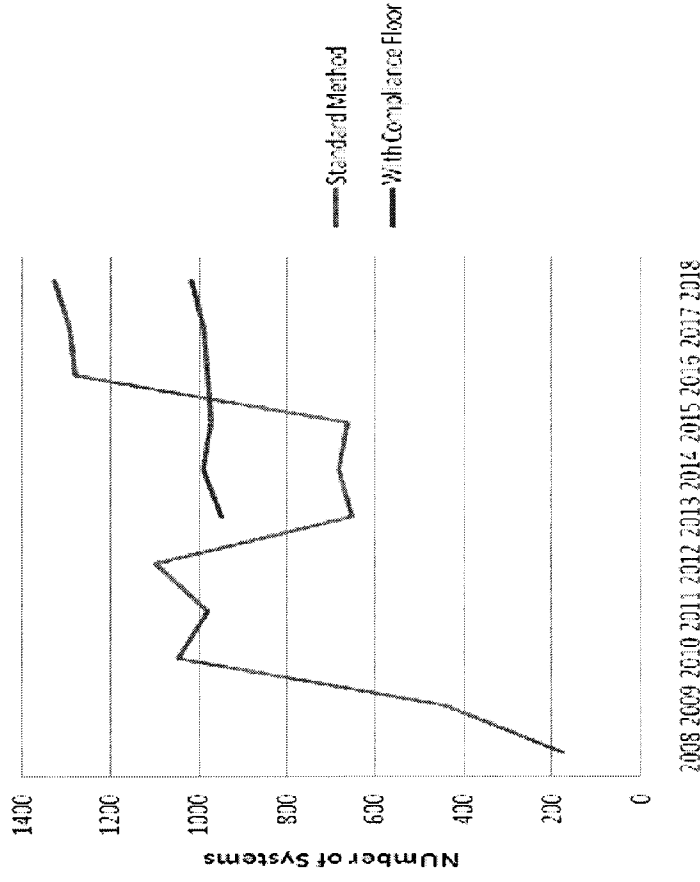
Utility Owned Solar Projects by Year	2013	2014	2015	2016
2011 - Springerville/TechPark I 3.4 MW	\$ 1,050,462			
2012 - TechPark II 5 MW	\$ 1,483,324			
2012 - TO / Rooftop 2.5 MW	\$ 898,797	\$ 1,163,542	\$ 1,132,400	\$ 752,894
2013 - Prairie Fire 5 MW	\$ 1,411,939			
2013 - TO 3 MW	\$ 984,655	\$ 1,273,980	\$ 1,240,039	\$ 824,522
2014 - 7 MW built in 2013	\$ 100,419	\$ 3,919,514	\$ 3,761,542	\$ 2,388,517
2015 - 7 MW built in 2014			\$ 3,627,706	\$ 2,359,502
2016 - 7 MW built in 2015				\$ 2,418,469
Annual Revenue Requirement	\$ 5,929,596	\$6,357,036	\$ 9,761,687	\$ 8,743,904

Residential Distributed Generation

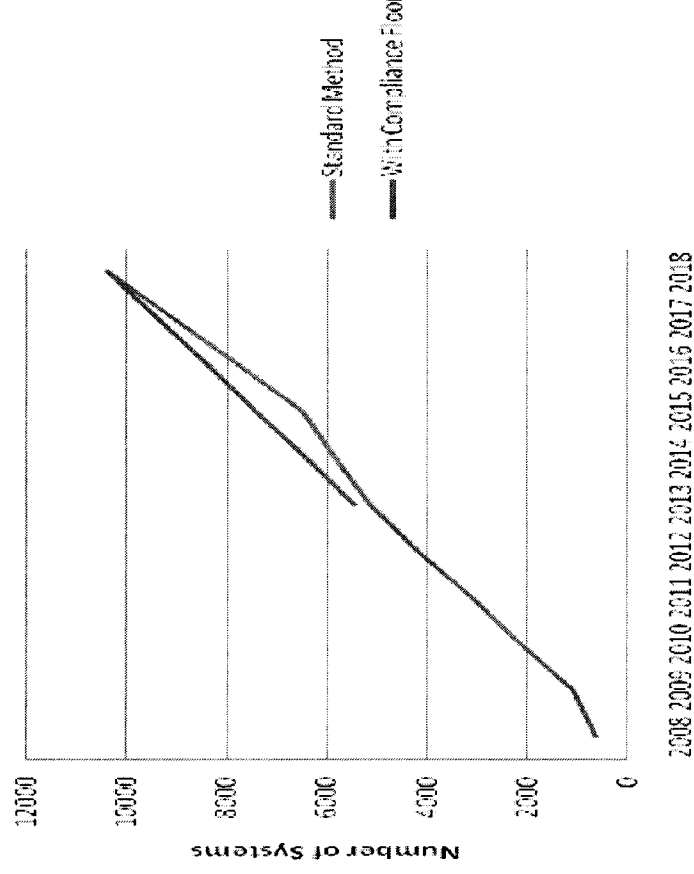
- Up front incentive
 - UFI PV - \$0.50 per DC Watt (max 30 kW DC)
 - UFI SHW - \$0.50 per annual estimated kWh saved (max \$1,750)
- Compliance Floor Budget
 - Keep market stable through dip in DG REST requirement
 - Same number of cumulative systems by 2018
- No Triggers
 - Flexibility for Company to lower incentives

Residential Compliance Floor

Annual Residential PV Installs



Cumulative Residential PV Installs



Commercial Distributed Generation

- Continue “Legacy Cost” line item of \$3.0 million and \$6.5 million for previously awarded PBI lifetime project costs
- No Triggers
- Non-residential incentives will be paid at the following levels:
 - UFI PV - \$0.50 per watt on a first come, first serve basis (max 70 kW DC)
 - PBI PV - \$0.072 per kWh for > 70-200 kW systems
 - \$0.068 per kWh for 201-400 kW systems
 - \$0.064 per kWh for > 400 kW systems
 - UFI SHW - \$0.50 per kWh of annual kWh savings
 - PBI SHW - \$0.057 per kWh

Research and Development

- University Research – AzRISE
- Technical testing and training – TEP Test Yard
- Intermittency modeling/studies
- Industry association membership

Research and Development Initiatives	Budget
AzRISE Research	\$ 250,000
TEP Test Site and Energy Storage Development	\$ 300,000
T & D Intermittency & Penetration Studies	\$ 50,000
UWIG, SEPA & AWEA	\$ 15,000
Total	\$615,000

Total Budget Comparisons

TEP Renewable Energy Standard Tariff		2012	2013
Line Item Budget			
Total REST Budget & Tariff Collection:		\$29,976,305	\$41,148,281
Utility Scale Energy		\$17,651,418	\$30,225,596
Customer Sited Distributed Renewable Energy:		\$10,872,906	\$13,145,276
Technical Training:		\$ 425,000	\$ 75,000
Information Systems Integration Costs		\$ 500,000	\$ 125,000
Metering: Direct material cost for DG production meters, labes, disconnects, meter panels, BTU meters		\$ 227,982	\$ 131,365
Program Labor and Administration		\$ 1,649,000	\$ 1,174,538
Renewable Energy Balancing, Integration, and Field Testing		\$ 525,000	\$ 615,000
Legacy Costs			
PBI Legacy Costs & Commercial Upfront Payments		\$ 3,000,000	\$ -
2012 Program Cost (Total Budget)		\$34,851,305	\$45,491,775
Carryover of REST Funds from 2011		\$ 4,875,000	\$ 4,343,494
Grand Total (to be collected in 2012 tariff)		\$29,976,305	\$41,148,281

Tariff

Rate Class	2012 Approved REST Budget	2013 Proposed REST Budget
Residential	\$11,393,721	\$18,468,678
Small Commercial	\$9,532,947	\$11,891,330
Large Commercial	\$4,758,361	\$6,531,310
Industrial & Mining	\$2,311,308	\$3,183,532
Public Authority	\$626,566	\$820,800
Lighting (PSHL)	\$233,554	\$259,780
Total	\$28,856,457	\$41,155,429

Rate Class	Current Rates Caps	Proposed Rates Caps
Residential	\$3.15	\$4.75
Small Commercial	\$130.00	\$195.00
Large Commercial	\$810.00	\$1,225.00
Industrial & Mining	\$5,500.00	\$8,300.00
Public Authority	\$140.00	\$195.00
Lighting (PSHL)	\$130.00	\$195.00
Per kWh to all Classes	\$0.007182	\$0.008000

Customer Impacts

Company Proposed

Customer Class	Total Revenue	Percent of Revenue	Average Bill	Monthly Cap	Percent of Customers at Cap	Percentage to Total Load
Residential	\$18,468,678	44.9%	\$3.89	\$4.75	71.2%	42.3%
Small Commercial	\$11,891,330	28.9%	\$27.12	\$195.00	4.6%	20.6%
Large Commercial	\$6,531,310	15.9%	\$870.84	\$1,225.00	38.3%	13.0%
Industrial & Mining	\$3,183,532	7.7%	\$7,841	\$8,300.00	92.61%	21.56%
Public Authority	\$820,800	2.0%	\$57.42	\$195.00	15.0%	2.2%
Lighting (PSHL)	\$259,780	0.6%	\$12.10	\$195.00	0.03%	0.34%
Total	\$41,155,429	100.0%				